

KARELIA UNIVERSITY OF APPLIED SCIENCES  
Degree Programme in International Business

Valeriia Chernikova

FINNISH WHISKEY TO THE UNITED STATES: CASE COMPANY-  
TEERENPELI

Thesis  
September 2015



**THESIS**  
**September 2015**  
**Degree Programme in International Business**  
Karjalankatu 3  
FIN 80200 JOENSUU  
FINLAND  
Tel. 358-13-260 6800

Author  
Chernikova, Valeriia

Title  
Finnish Whiskey to the United States: Case Company – Teerenpeli

Commissioned by  
Teerenpeli Oy

#### Abstract

Currently, the whiskey market in the United States is booming, seen in the increase in sales and the market share in the alcohol industry. Consumer behavior has changed towards premium special whiskeys from non-traditional whiskey producers, which has opened opportunities for these producers.

The aim of this thesis is to design a market entry mode for the Finnish single malt producer Teerenpeli that will export whiskey to the city of St. Louis, Missouri. The research is done with the help of an analysis of the business environment as well as interviews with experts from relevant fields and personal observations in multiple retail outlets.

The entry strategy includes a description of the relevant distribution and communication channels, pricing and branding strategies as well as positioning the product among competitors in the market.

Language  
English

Pages 37  
Appendices 1  
Pages of Appendices 1

#### Keywords

Whiskey, premium whiskey, entry mode, market analysis, the United States, Missouri

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### Appendix 1 Questions for interviews

# **1 INTRODUCTION**

## **1.1 Background**

Until the past decade or so, almost all of the world's whiskeys were produced in Scotland, Ireland, the United States of America and Canada. Today, trends are shifting towards new countries that are producing high-quality whiskeys – Japan, who is currently the leader in this market, India, Wales, Australia and the majority of European countries, including Finland. (Whiskey Advocate 2015.)

The United States is the second biggest whiskey market in the world (over 14% of the global market share) (Stanford 2012). According to Reuters, in 2014 the 4% increase of spirits sales in the United States was mostly driven by a strong growth in whiskey demand (Athavaley 2015).

Trends in whiskey consumption are moving towards premium quality products: "We tend to see people moving ... into the higher-end products" – claimed David Ozgo, Chief Economist of the Distilled Spirits Council (Hopkins 2014). These facts make the United States whiskey market appealing for the premium whiskey producers.

## **1.2 Aim of the study**

This study focuses on the premium whiskey industry in the United States of America specializing in "special whiskey". In this paper special premium whiskeys are defined as high-quality whiskeys produced in a country other than the United States of America, Scotland, Ireland or Canada and sold at a retail price of over \$50 (45€) for a 750 ml bottle. (The exchange rate of 1€ = \$1.10 used throughout this study is based on that of 10 September 2015, according to the European Central Bank exchange rate.)

The purpose of this research is to study the features of the whiskey market in the United States, and particularly the special premium whiskey market in the city of St. Louis, Missouri. The study is conducted for Teerenpeli Brewery and Distillery Oy and its export merchant in the United States of America.

The research recommends the entry mode for Teerenpeli's whiskey to the United States market, describing product decisions as well as the business environment features that have an impact on the company's operations. The cost structure of operations is not a part of this study.

### **1.3 Teerenpeli Distillery**

Teerenpeli Brewery and Distillery Oy is a family-owned company that consists of restaurants, a brewery and a distillery. It started its business as a microbrewery in 1995 and already in 2002 established a distillery in Lahti. Restaurants are located in major cities in Finland: Lahti, Helsinki, Tampere, Turku and Lappeenranta.

Teerenpeli Single Malt Whiskeys are produced in Teerenpeli distillery using domestic raw materials: Finnish malt from a local malting factory, and fresh and hard Salpausselkä ground water, combined with traditional Scottish methods and pot still equipment.

The distillery is a traditional pot-still distillery, and the spirit is matured in oak casks for at least three years. The annual production capacity of Teerenpeli is 40,000 liters of the spirit.

Teerenpeli's single malt is currently sold all over Finland through Alko, a Finnish government owned retail chain of alcohol and Helsinki-Vantaa Airport's Duty Free shop. The whiskey is also sold on Finland-Sweden-Estonia ferries as well as exported to Sweden, Norway, the UK and Germany.

### **1.4 Methodology**

In order to provide Teerenpeli with up to date information concerning bringing special premium whiskey from Finland to the US market, primary and secondary research methods were applied. The data used in this study is mostly specific for the State of Missouri and the city of St. Louis particularly. However, plenty of information about the business environment is valid for the country as a whole.

Primary data is collected from face-to-face interviews with experts of the field such as whiskey experts, purchase managers of liquor stores, bartenders and marketing managers as well as the author's observations made in the potential retail outlets of Teerenpeli's whiskey in St. Louis. The main purpose of the interviews was to find out answers to such questions as: What does the whiskey drinking culture in America look like? What new and emerging trends are there in the American whiskey drinking culture? Will there be a demand for a special premium whiskey from Finland in the market? Who are the potential consumers for a product? Discussing matters related to the marketing mix of a special whiskey product was also a major part of the interviews. (Appendix 1.)

Secondary data was utilized from news agencies, governmental statistics as well as magazines and journals. This information mostly gives overview of the business environment and whiskey industry in the United States and in the city of St. Louis particularly. In addition, it provides statistics for analyses and describes trends of the business environment in the new market of operations.

### **1.5 Outline of the report**

The thesis consists of four main parts, which are business environment analysis, analysis of premium whiskey market, marketing strategy and final conclusions and recommendations.

The business environment in the United States is overviewed in terms of political, economic and socio-cultural cultural environments. An analysis of premium whiskey market describes the features of the industry with a help of Porter's five forces model.

The marketing strategy section consists of suggestions for the relevant marketing mode, focusing on product, price and brand strategies as well as identifies potential distribution and marketing channels. The final chapter summarizes the findings of the study and gives recommendations for future actions.

## **2 BUSINESS ENVIRONMENT ANALYSIS**

### **2.1 Overview of the business environment of the United States**

The economy of the United States has shown a strong development in the past five years. In 2014 its GDP (Gross Domestic Product) per capita amounted to \$54,600 (49,000€) (World Bank 2015). Currently, the US dollar (\$) is very strong on the market, making imported products be more competitive on the market. (European Central Bank 2015.)

The United States of America is a country that consists of 50 states, each of which has the right to establish their own laws and rules as long as they do not interfere with federal legislation. Therefore, it is important to study both state and federal laws before coming to any state for business. Also, every state differs in social and cultural aspects, which may have an impact on the business.

Concerning alcohol legislation, an importer of alcohol needs to get several approvals from the government and make sure that all requirements are met before being able to bring a product to the market. The Alcohol Tobacco Tax and Trade Bureau sets and describes all the permits, requirements and processes that are needed for an alcohol product. (Alcohol Tobacco Tax and Trade Bureau 2015.)

### **2.2 Choice of the market of operations inside the country**

The decision to start new operations for Teerenpeli in the United States of America was based on a long-lasting business partnership with a local merchant vendor. However, due to limited resources the company needed to make a choice of the state and the city to which the single malt would be exported.

It was been decided that the company will start exporting whiskey to the State of Missouri so that the main market of operations will be the greater St. Louis area. In decision-making, the following dimensions of a state's and a city's attractiveness were applied:

1. Growing demand for distilled spirits, especially premium special whiskies;

2. Favorable taxation and legislation towards imports of spirits as well as its distribution;
3. Accessibility of resources (network);
4. Size of the market.

## **2.3 Macro-environment of the planned market area of the State of Missouri**

The macro environment comprises those factors that are common for all companies that are operating in the same industry (Blythe 2013, 31). Factors such as government policy, the economic climate and the culture have the most impact on the business operations of Teerenpeli and have to be studied carefully before the actual expansion.

### **2.3.1 Political and legal environment**

In comparison to other states, the political and legal environment towards alcohol in Missouri is favorable. TIME magazine names this state as “the Best State in America for Drinking” (2013). This can be seen in laws concerning drinking itself, where it is legal to drink in most public places and be allowed to drive if blood alcohol is not more than .08%, which is the absolute maximum for the whole country. The legal drinking age in Missouri is 21; however, this does not have a noticeable impact on business since the target market will be more mature customers. It should nonetheless be taken into consideration. (Missouri Division of Alcohol and Tobacco Control 2015.)

On the business side of the industry laws are friendly to companies. The corporate income tax is one of the lowest in the country – 6.25%. The State Spirits Excise Tax in Missouri is currently \$2 per gallon (1.80€ per 3.78 liter), which is also one of the lowest rates in the United States. In addition, staying below the national median of 5.95%, Missouri levies a 4.23% general sales or use tax on consumers, making the product more affordable for consumers. However, depending on local municipalities, the total tax rate can be as high as 9.6%. (Tax Foundation 2015.)



There are no difficulties with permission and labeling for spirits that exists in many other states. As soon as the Federal Government approves the imported alcohol, it is easy to get an agreement with the state of Missouri. The advertising of liquor does not carry any legal difficulties and mostly follows the Federal law. The state allows an importer of alcohol to be a distributor (Missouri Division of Alcohol and Tobacco Control 2015), which makes it easier for Teerenpeli to bring the product to the market and sell directly to the outlets.

The political environment in Missouri is lobbied by Anheuser-Busch Brewing Company, which has created a favorable political environment for the alcohol industry in the state. The situation is expected to remain the same in the future. (Naski 2015.)

### **2.3.2 Economic environment**

In past five years the state of Missouri showed positive development in the economy. The GDP in Missouri is growing at an annual rate of 0.9%. In 2014, the personal income increased by 2.3% and amounted to \$41 613 (37,351€), below the national average (\$46,129) (41,400€). (Bureau of Economic Analysis 2014.) At the same time personal income for St. Louis' citizens was \$46,038 (National Conference of State Legislatures 2015). The unemployment rate in the state of Missouri has been decreasing steadily and currently is 5.8% (Federal Reserve Bank of St. Louis 2015).

Teerenpeli's whiskey is a premium product with a high income elasticity. This is why income distribution should be taken into account. It could be assumed that potential customers will be in the income brackets above \$60,000 (53,855€) annually, which is 27% of the whole population in St. Louis. (City Data 2014.)

### **2.3.3 Socio-cultural environment**

The population of the planned market area is 6,063,500, growing by 0.8% in 2014 compared to the national growth of 0.77%. Over 70% of the population in the state is of legal drinking age. (United States Census Bureau 2014.)

According to a research made in 2014, men dominate in whiskey consumption in the United States. Nevertheless, whiskey drinking is growing in popularity among women: in the same year, around 27% of sales were made up by women. (Gagliardi 2014.)

In Missouri around 26% of the over 25-year-old demographic have a bachelor's degree, which is close to the national average in the United States (Federal Reserve Bank of St. Louis 2015). In the area where operations will start, this number is considerably higher at 35%, which indicates that there will be more potential customers available (City Data 2013). Overall, the economic environment of Missouri is favorable for the business expansion, together with the economic situation in the United States as a whole.

Whiskey making and drinking culture has been influenced a lot by wine culture. This is seen in different aspects. For example, in the variety of different kinds of whiskeys on the shelves, in the number of techniques of distilling as well as in the tendency of pairing whiskeys with food. (Whiskey Advocate 2014.)

Whiskey drinking culture is unique for each country. As for the United States, experts name three main trends in whiskey consumption (Burdge & Naski 2015). First, there is a big group of patriots, who drink whiskeys that are produced inside the country, mostly bourbons. Secondly, international whiskey drinkers, who enjoy Scottish whiskeys as well as products from such countries as Ireland and Canada and large whiskey producers with long heritage. Finally, there is a small group of people who are seeking something new and different, something they have never tried before, so-called "special whiskeys". This description of the drinking culture applies to Missouri as well.

The product that Teerenpeli wants to introduce to the market is a single malt Finnish Whiskey. In the United States single malts have so-called country-of-origin appeal associating the product with Scottish single malts (Scotches). This is harmful for Teerenpeli, as Finland is not associated as a traditional whiskey producing country. However, the target consumers for the company are those who are searching for something new and special, as it is a very niche premium product.

Kevin Burdge, a purchasing manager in a special whiskey retailer stated, that there is demand for the special premium whiskey offered by Teerenpeli in the greater St. Louis area. This demand is driven by whiskey enthusiasts that are searching for new flavors and experience and are willing to pay money for premium special product. (Burdge 2015.)

## **2.4 The planned market area of St. Louis**

St. Louis is the 19<sup>th</sup> largest metropolitan area in the United States and the second-largest city in Missouri. It is located in the east central part of the state, right next to the state of Illinois. The population of the city itself is around 318,000 people; however, the population of the greater St. Louis area is around 2.8 million people (United States Census Bureau 2014).

The median household income in St. Louis is a bit higher than average in the United States: \$51,164 (45,924€) compared to \$50,502 (45,329€) national. The population of 25 year-olds, the target age group of potential consumers of premium whiskey, is around 67.4% of total population in greater St. Louis area (St. Louis Regional Chamber 2015).

There are a great number of outlets selling alcohol, including places specialized in selling premium spirits, which can be the potential retailers of Teerenpeli's single malt. Also, St. Louis gives access to a number of communication channels with customers as well as access to the legal help specialized in the alcohol industry. These issues are described in Chapter 4.

### 3 ANALYSIS OF PREMIUM WHISKEY MARKET

#### 3.1 Spirits industry overview

Whiskeys are distilled spirits, which also include gin, vodka, rum, brandy and other spirits. According to the Distilled Spirits Council of the United States (DISCUS) 2014 Industry Review, distilled spirits showed steady growth (2.2% by volume and 4% by revenue). At the same time, spirits' market share as a percentage of total alcohol sales increased by 0.5% from 2013 (34.7%), amounting for 35.2% in 2014, continuing the tendency of growth since year 2000 (Figure 1).

Alcohol products tend to be sold at higher price points. Premium products have increased their volume of sales. This can be explained as the tendency of consumers to buy quality products. A second factor has been a decrease in oil prices and the strong development of the US economy. (Athavaley 2015.)

Another trend is the increasing demand of special and flavored products. This gives an opportunity for big and small distillers to launch new products (DISCUS 2015).

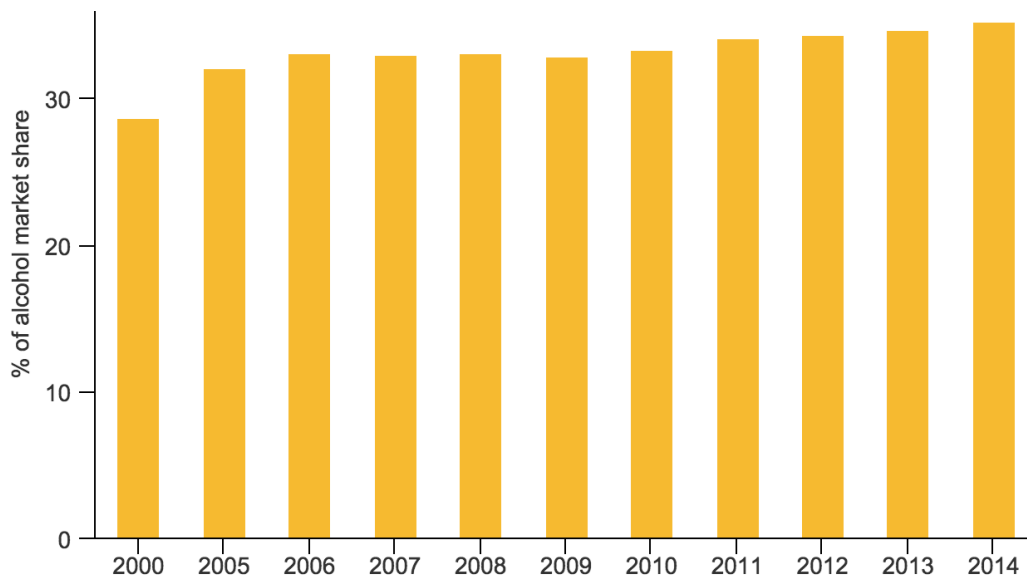


Figure 1. Market share of spirits in alcohol sales in the United States 2000-2014 (Source: Beverage Information Group Handbooks, Company financial Reports, DISCUS Estimates 2015).

In spirits consumer behavior, all generations prefer “delicious and smooth taste” and “stylish” products (Brager 2015). According to the research made by Nielson in February 2015, spirit drinkers are the most brand loyal: 60% of respondent claimed that they purchased from 1 to 3 spirit brands during the last year, compared to 48% of beer and 43% of wine drinkers (Figure 2). (Brager 2015.)

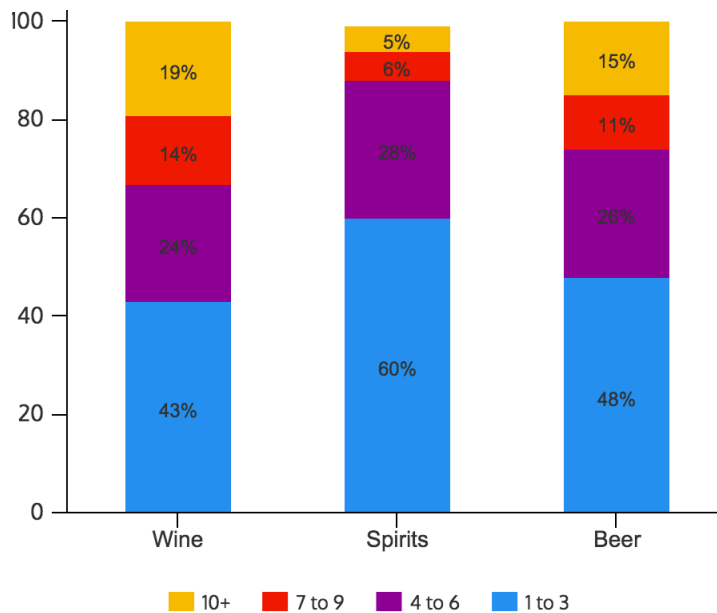


Figure 2. Number of brands purchased in the last year by category (Source: Nielsen 2015).

At the same time, the survey found out that the frequency of the purchase of alcohol affect the variety of brands bought. As shown in Figure 3, the share of people buying ten and more brands of spirits is more than double for those who shop for the alcohol at least once a week compared to those who do it several times a year. (Brager 2015.)

Speaking about occasions for drinking, 21-36 year olds are most likely to drink only for very special reasons, while older generations trend to drink more often for themselves. For example, 37-48 years old are about equal to drink on special occasions and for themselves, when older spirits drinkers do it more and more often just for themselves. In addition, the younger drinkers are more interested in stylish products that can often be seen on TV and other media, while the older

generation prefers well-known and authentic brands. Age also influences the buying behavior of whiskey drinkers. As shown in the Figure 4, the 21-34 age group is more likely not to buy new brands of whiskey, comparing to the average. (Brager 2015.)

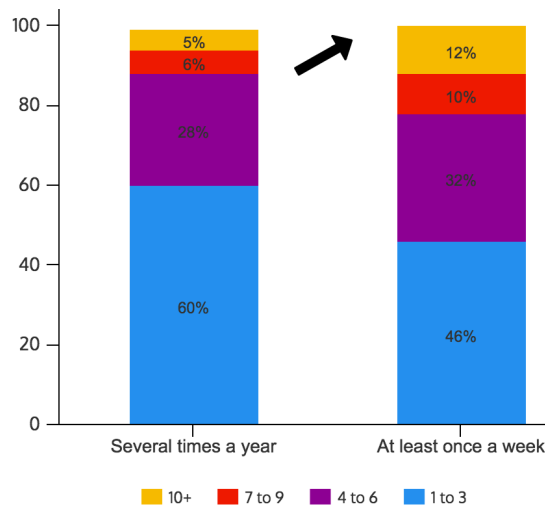
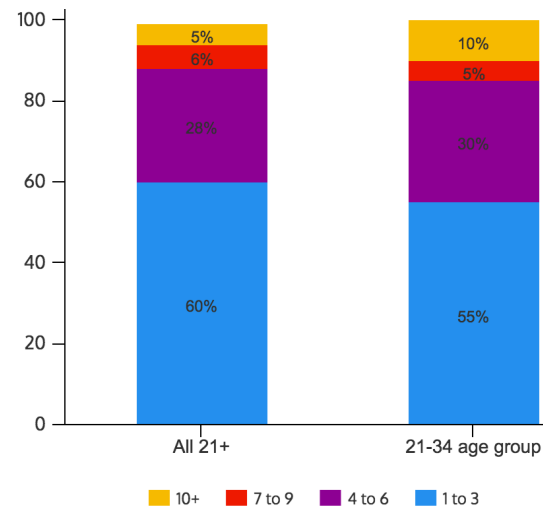


Figure 3. Number of whiskey brands purchased based on frequency  
(Source: Nielsen 2015).



Figures 4. Number of whiskey brands purchased by age category  
(Source: Nielsen 2015).

### 3.2 Whiskey market in the US

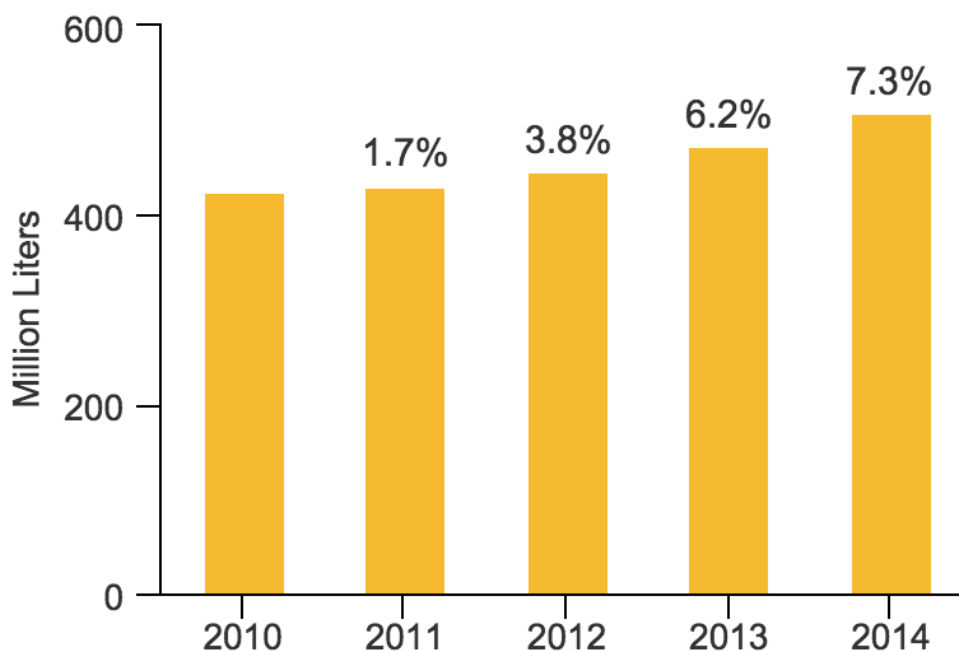
In 2014 whiskeys showed a strong increase in sales by 7.3% amounting for 509.5 million liters (Figure 5). The growth has continued since the year 2000 (DISCUS 2015). Whiskey's popularity has been growing across all generations and additionally bringing into American whiskey drinking culture more female and Hispanic participants (Statista 2015; Nielsen 2015).

In their article “Whiskey sales to overtake vodka in US”, Drinks Magazine claims that whiskey is making a shift in the preference of American consumers, becoming the biggest selling spirit in the country. The explanation in this shift was also given: “whiskey has been attributed to a “generational rejection” of vodka with consumers craving a spirit with “authenticity, heritage and taste”... all of which whiskey can provide... Another factor ... is the “mad-men” effect, a reference to the Prohibition-

era drinks consumed on the popular TV show, with popular culture said to be increasingly cultivating a greater appreciation for more complex drinks, craft brands and cocktails”. (Eads 2014.)

The demand has resulted in the growing number of producers in the market: the number of approval requests is growing dramatically every year. There are plenty of small and big distilleries from around the world that want to bring their product to the United States market. (Whiskey Advocate 2014, 116.)

The United States whiskey market gives many opportunities for whiskey producers from different parts of the world: "... while the EU and UK do not recognize certain American whiskeys under the category, America does recognize many foreign styles, even when they differ" (Whiskey Advocate 2014). Relatively soft laws and openness to different products makes the United States very attractive for the whiskey business, giving consumers a lot of choice.

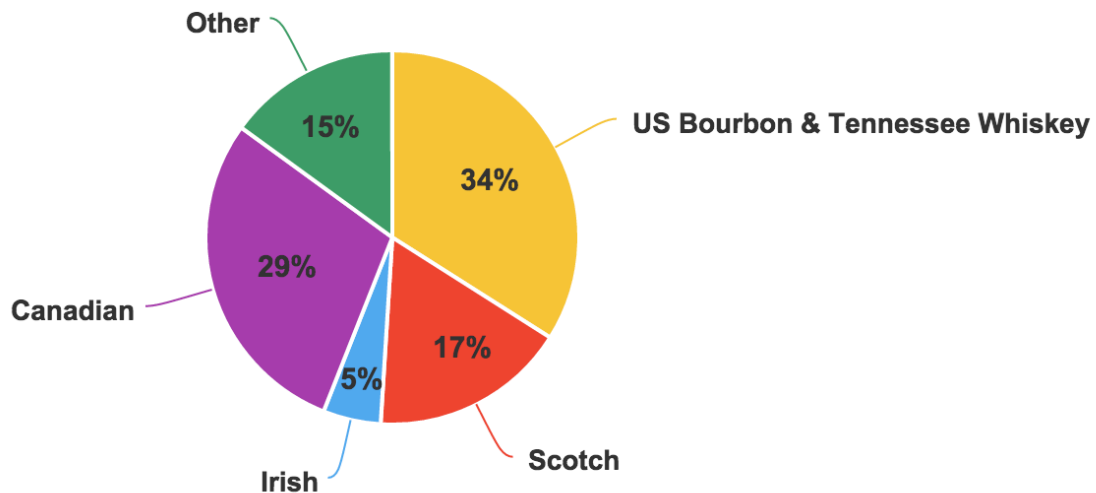


Figures 5. US whiskey sales volume 2010-2014  
(Source: Beverage Information Group Handbooks, DISCUS MSDB 2015).

Mostly Americans consume whiskeys produced inside the country - Bourbon & Tennessee Whiskeys (34% of the market share) as well as Canadian whiskeys

(29%) and Scotches (17%). The structure of whiskey sales by country is presented in Figure 6.

The category "other whiskeys" takes 15% of the market share (78.4 million liters). These are the special whiskeys from countries that are not well-known for distilling such a product (DISCUS 2015). A number of brands and products from this category are considered to be Teerenpeli's competitors.



Figures 6. Market share of whiskey by country of origin (Source: DISCUS 2015).

### 3.3 Premium whiskey market in the US

The consumption of premium whiskeys in the United States is rising. This growth is seen in the increase of consumers' interest in high-quality products. Thanks to a growing economy and low gas prices, whiskey drinkers got more money to spend on the more expensive special whiskeys.

When paying a high price for a premium product, consumers expect it to be high quality. What is considered to be a quality whiskey? This can be explained in different ways. For this study, the opinion of David Williamson, the government and communication director of the Scotch Whiskey Association is considered to be the most appropriate: "Traditional whiskies, such as Scotch whiskey, Irish whiskey and bourbon, form consumers' expectations of whiskey ... [These] whiskies which have



been traded internationally, and as a result, consumers today expect whiskey to be a quality product which reflects traditional practice and in which the whiskey retains the color, aroma, and taste (as well as aftertaste) derived from its raw materials and production process...” (Whiskey Advocate 2014, 114).

Whiskey producers cannot answer the demand yet. This has caused the increase in prices for a premium product as well as opened opportunities for companies in the premium whiskey market in the United States. This applies not only to products from countries such as United States, Scotland, Ireland and Canada, but also for smaller country producers, as consumers are hungry for something new. (Market Watch 2015.) To conclude, there is a demand for Finnish single malt premium whiskey in the United States market as a whole as well as the State of Missouri particularly (Burdge & Naski 2015).

### **3.4 Competition in the market**

Teerenpeli will face competition in the new market on two levels. The first will be indirect competition with traditional large scale producers such as American bourbons, Canadian whiskeys, Scotches and Irish whiskeys as well as direct competition among premium special whiskies distilleries, mostly coming from Japan, India and some European countries, such as France and Belgium.

In order to contrast a competitive environment, Porter’s five forces analytical tool will be used. The five forces analysis helps to focus on the single business or strategic business unit (SBU) rather than a single product or range of products and make the competition on the market more clear. (Porter 1979.)

#### **3.4.1 The threat of market entry**

In the special premium whiskey market in the United States, producers coming from countries that are not well-known for whisky face several challenges. Firstly, it takes time to get all of the approvals on the federal level and then on the level of the particular state. Secondly, there is a challenge to create an interest among

potential retail outlets for the new product, especially for small and unknown whiskey producers without developed network in the area of operations.

To continue, creating a brand image of premium high quality new whiskey in the market as well as consumer profile takes time. Finally, the number of retail outlets that are interested in this kind of product is limited and it can be very difficult to get onto shelves.

### **3.4.2 Bargaining power of buyers**

There are only a few distribution channels that are interested in a product such as a premium special whiskey due to the high price of the product and low brand awareness in the market. This creates a challenge for the producers to create an interest in the product and establish a strong relationship with the retail outlets.

To continue, there are a limited number of whiskey drinkers who are interested in the special whiskies and are searching for something new. The product itself is relatively expensive: a 750ml bottle of premium special whiskey starts at the price of \$50 (45€) in a retail store, what make consumers more cautious in making a buying decision. (Wine and Cheese Place 2015.) At the same time, the supply of the special whiskies has been lower than the demand, as there are a limited number of producers that offer something similar to Teerenpeli's product to the market (e.g. Japanese, French and English companies).

The buying behavior of whiskey drinkers is affected by several factors. As is shown in Figure 3 (Chapter 3.1), the buying behavior and brand loyalty varies with the frequency of whiskey purchase: the more often people buy this product, the more likely they will try a new brand. In other words, regular whiskey drinkers will be more likely interested in a product such as Finnish Single Malt, searching for a new whiskey drinking experience.

Nevertheless, even though there are relatively few companies in the special premium whiskey market, consumers still have a good choice and can easily switch to more popular kinds of whiskey with relatively low costs. These reasons make the power of consumers relatively high.

### **3.4.3 Bargaining power of suppliers**

From Teerenpeli's export merchant point of view, the bargaining power of the supplier is relatively low: on the one side, Teerenpeli is interested in the business and has established a reliable relationship with the company, meaning that a switch to another company is unlikely. There is a risk that business in Finland will be affected by some factors that will have an impact on the export merchant's operations. In addition to that, exchange rates also affect the power by making the product either more or less expensive

For the distillery, there are a limited number of suppliers. This can be considered as the main reason why the bargaining power of suppliers is high, especially since the industry requires very specific kind of raw material. Teerenpeli uses local raw materials; however equipment is purchased from Scotland. The power of suppliers increases when the company orders raw materials from abroad. In this case, the price can be affected by exchange rates.

### **3.4.4 The threat of substitutes**

In the premium special whiskey market the threat of substitutes is high. There is a great choice among big whiskey producers as well as other spirits that are well-known, have a lower price or have a well-established brand image (e.g. Black Label, Chivas Regal, Laphroaig, etc.). Also, switching to other alcoholic beverages such as beers and wines is an alternative.

There are people that come to the store to try something new, like whiskey from India or Japan and see whether they like it or not. But there are very few customers who are loyal to the certain brands of special premium whiskeys. (Burdge 2015.)

### **3.4.5 Rivalry among existing companies**

There are a number of whiskey producers from countries that are not well known for whiskey production. They occupy around 15% of the market by volume. These companies mostly introduce special kinds of whiskeys for the market mainly

positioned as high quality premium products and oriented in the small group of people that are seeking for new experience in whiskey drinking. The main competitors for Teerenpeli's whiskey are producers of premium 5-12-year-old and No-Age Statement whiskey made by Japanese, French, Belgium and Indian distilleries. Good examples of competing brands are Hakushu (Japan), Brenne (France) and Amrut Fusion (India). More competitors in the market can be seen in Figure 7 (Chapter 4.1).

The price range for premium special whiskeys varies from about \$50 (45€) to \$200 (180€) per 750 ml bottle. The price depends on the exclusivity of the whiskey, age as well as quality. Teerenpeli's whiskey will be the first and the only premium whiskey from Finland, what gives the company advantage in its exclusivity.

## **4 MARKETING AND BRAND STRATEGY**

In this chapter the marketing campaign and brand strategy for the new market of operations are described. The brand strategy is built based on the Elements in Brand Association network as well as features of the market, while the marketing campaign is developed with the help of Marketing mix business tool.

### **4.1 Product**

A product can be defined as “the sum of all the physical and psychological satisfactions that the buyer (or user) receives as a result of the purchase and/or use of the product”. The product is a core of the marketing mix. If it fails to satisfy the needs and expectations of the final consumer, no additional efforts in any other parts of the marketing mix will result in the good performance in the market place. (Albaum 2008, 438)

Before all legal issues are regulated, no final product decisions in the US market will be made. The final decision will have an impact on the promotion of the product as well as the price. Currently, Teerenpeli has two main options for introducing the product to the US market:

1. Young Finnish single malt whiskey matured only approximately four years in bourbon/sherry casks. This retail price would be lower than special edition whiskey.
2. Limited Edition whiskey with numbered bottles matured approximately six years in bourbon casks and finished in port wood casks. This would be only about five to six-hundred 750 ml bottles presented only in the US market.

The age of whiskey as well as the type of barrel that it is aged in has an impact on the taste and value of the spirit. However, the type of barrel is considered to have a greater impact than the years in the barrel. (Burdge 2015.)

Longer aged whiskeys will be more rare or special. This results in the increase in price. The price is sometimes reflected on the distilleries' reputations. In other words, older whiskeys are usually priced higher not because of the taste, but

because of its exclusivity. However, in the mind of consumers age is quite often associated with the quality issue. Nowadays, there is a trend not to put an age on the product (no age statement whiskey), which is used in order to not focus on the number of years that a whiskey spent in the cask, but its quality and taste. (Whiskey Advocate 2013.)

Finnish whiskey will be a very unknown, exotic product in the market. It will be positioned as an exclusive high-quality product that is made from the purest Finnish ingredients with an old Scottish style reflected in the taste of the whiskey. The positioning map can be seen in Figure 7. The positioning of the product is closely connected to the branding and pricing of the product.

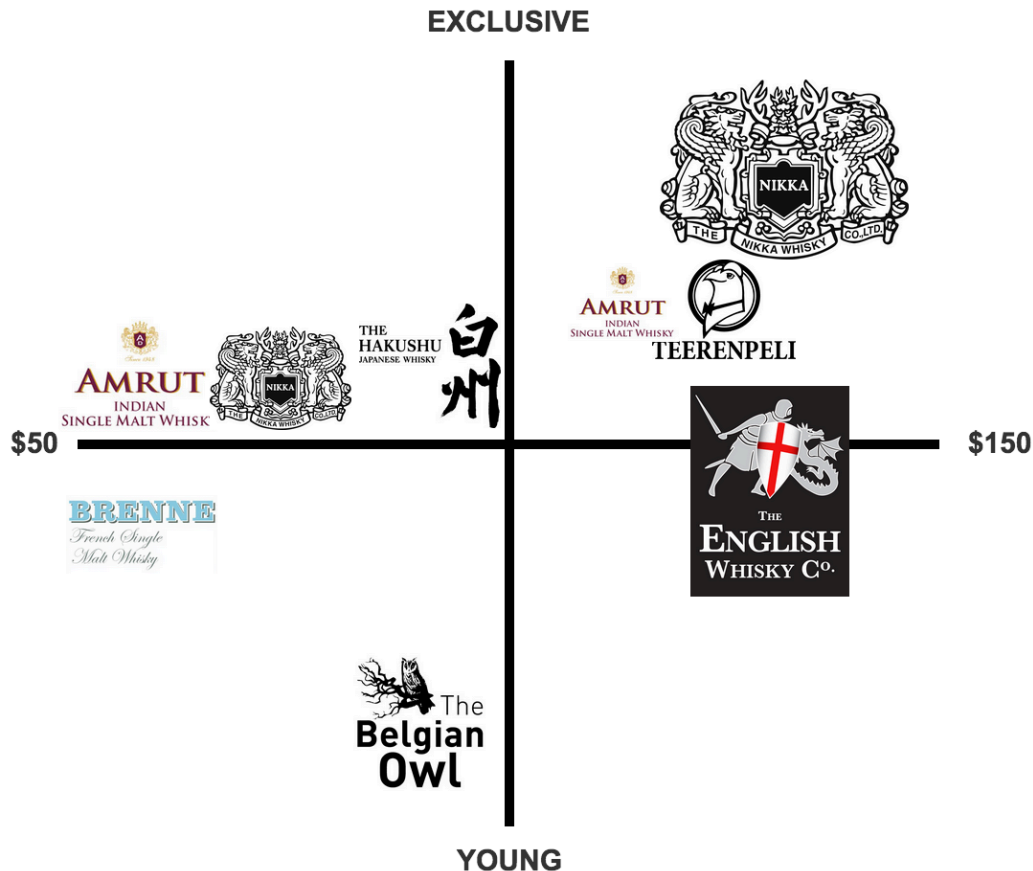


Figure 7. Positioning map for Teerenpeli's single malt in the United States market

Branding is a big concern for the company. Teerenpeli wants to establish a strong brand of premium whiskey from Finland among interested consumers by offering a unique high-quality product in to the market.

A brand can be seen as an association network in the mind of the consumer. (Mooij 2014, 45) The brand should tell consumers what they get with a product and why should they choose Teerenpeli rather than its competitors. The elements of Teerenpeli's brand in the United States can be seen in Figure 8. The figure is designed based on interviews with Teerenpeli's representative Jari Mämmi and Dan Stauder, a marketing expert in St. Louis.



Figure 8. Association network for Teerenpeli in the US market.

Through their branding message, Teerenpeli tells their customers about the story of the whiskey and distillery itself as well as high-quality and uniqueness of the

local raw materials that are reflected in the taste of the single malt made using traditional Scottish methods.

Packaging is a part of product strategy and it has two roles: protection and promotion. The package must be convenient and easy to use, it also should help to sell the product by attracting attention, identifying the product and providing the reason to buy. (Albaum 2008, 441.)






Currently, Teerenpeli differentiates itself from other brands, introducing different kinds of packages of their single malts. Due to the fact that the size of the bottle has to be 750 ml, the company needs to develop a new package for the product. Working on the design of the bottle and label for the whiskey that will be exported to the United States Market, Teerenpeli should focus on the strong sides of their current package strategy. The analyses of the current package (Picture 1) are done with the help of a VIEW model that can be seen in Table 1. (Albaum 2008, 441- 442.)



Picture 1. Example of the exiting package  
(Source: Teerenpeli 2015).



Table 1. Analyses of Teerenpeli's package

VIEW model description	Teerenpeli's package
 – Visibility: the package must be easily distinguished from visual competition.	The package is different from other whiskey produces: the bottle is packed in the half-opened box it is placed on the branded wooden coaster.
 – Information: the package must quickly communicate the nature of its content.	Necessary information concerning the product itself, warnings required by the government as well as the story of the whiskey and the company is placed on the package.
 – Emotional impact: the design must create favorable impressions in the mind of the consumer. 	The design of the package is simple and functional. There are only traditional colors for such a product as whiskey used, what reflects the traditional method used for distilling the product. The text is easy readable, what makes it more user-friendly.
 – Workability: the package must function as protection and must also be efficient in home use.	The package is made from high quality recyclable materials. The bottle and the wooden coaster is kept in place with the cardboard package.

## 4.2 Price

The development of a pricing strategy usually affected by such issues as costs (production, logistics, etc.), market conditions (consumer demand), the product life cycle, competition as well as legal/ political influence and company's policy. (Slater & Olson 2001, Albaum 2008.)

As displayed in Figure 9, the price of Teerenpeli single malt will be based on five main components. Production costs as well as logistics and distribution costs, which also include mark-ups set by the company and its export merchant, are not a part of this study. The taxes and fees that are to be paid by the company is \$3.5 per 750 ml bottle. A retail outlet's mark-up can vary from 10 to 25% for such a product, depending on the distribution channel, volumes and cooperation in marketing campaign. Finally, sales tax paid a consumer in the city of St. Louis can be up to 9.6% of the product price, regarding the municipality where the retail outlet is located.

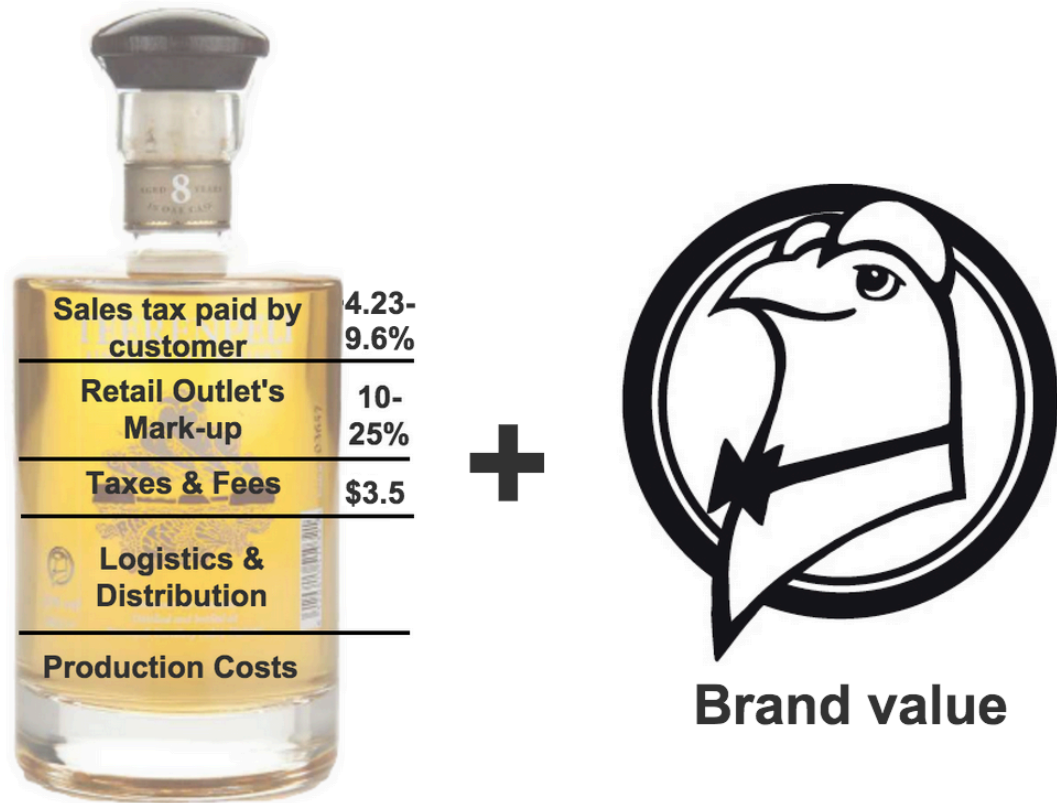


Figure 9. Price components for Teerenpeli's whiskey for the United States market.

Teerenpeli's single malt will be positioned as a very exclusive premium special whiskey that is available in limited amounts. The exclusiveness of the product as well as its high quality has a major impact on the final price. The suggested retail price for single malt Teerenpeli whiskey from Finland for the US market for a 750 ml bottle is \$100 (90€) for a young Finnish single malt whiskey and \$110 (99€) for a limited edition Finnish single malt whiskey with numbered bottles.

#### 4.3 Distribution channels

Distribution channels are a number of independent organizations (outlets) involved in the activities that make the product or service available for purchase by target consumers. (Kotler 2010, 858.)

Teerenpeli's target consumers in the US market are high-end customers that enjoy drinking different kinds of whiskey and are willing to try new premium products on the market. Based on that, it is important to find distribution channels that are

specialized in selling premium liquors. Besides, for Teerenpeli it is essential that the personnel of the retail outlets take good care of the customers (offer premium services), meaning that sales people/bartenders must be well educated about the product and ready to tell the story of the brand and offer tasting.

Based on these main factors two main distribution channels were defined for the beginning of sales: Wine and Cheese Place Liquor Store and Schlafly microbrewery bars. Also, there are other potential retail outlets that can be contacted in the future. All potential retail outlets are located in the city of St. Louis.

### **Wine and Cheese Place**

Wine and Cheese place is a chain of liquor stores in St. Louis that offer alcohol beverages and cheeses for both high-end and low-end consumers. There is a great selection of different liquors that cover mainstream products as well as rare special beverages. There are four retail outlets located in different parts of St. Louis.

The sales people in the stores are highly qualified and they take a good care of all customers, finding an individual approach to each client, trying to help him or her to find the desired product. Sometimes, it takes over an hour to go through the whole selection to find a right bottle of liquor. This service includes showing and describing products to customers, and also telling the story of the liquors and producers as well as tasting inside the store. (Observations and interviews with customers.)

The chain offers a great selection of whiskey that comes from all over the world: United States, Scotland, Ireland, Canada, Japan, France, Belgium and even India. Some whiskeys are very well known, but there are some that are so rare that it is very hard to find them from any other place. The Wine and Cheese Place is considered to be a right place to find potential consumers for Teerenpeli's single malt, especially since the chain is interested in the product already.

Wine and Cheese Place has an online store that ships orders to almost all states in the country with some exceptions. This makes it possible to distribute Teerenpeli's single malt to states other than Missouri as well.

Finally, the chain is ready for cooperation with Teerenpeli's merchant and willing to organize in-store tasting and inform interested customers about this event.

### **Schlafly microbrewery bars**

Schlafly Microbrewery Bars are located in St. Louis (two outlets). Both places offer food and beverages for their customers. Schlafly Bars have a great selection of draft beers as well as whiskeys. Bartenders and servers have an individual approach to every customer and are willing to tell more about the products they have.

For Teerenpeli Schlafly's bars is a great place to find target whiskey drinkers because of several reasons: firstly, the place is very popular among citizens of St. Louis and has many loyal customers. Secondly, it is well known for a big whiskey selection for different tastes. In addition, the company is already interested in Teerenpeli's single malt and is willing to introduce it to whiskey drinkers in their outlets.

### **Other potential retail outlets**

There are a number of other potential retail outlets that might be interested in such a product as premium whiskey from Finland. However, more studies about the places as well as interviews are required. There is a suggested list of other potential distribution channels:

1. STARRS – liquor store in St. Louis with one location, great selection of alcohol beverages.
2. Randall's Wines & Spirits – chain of liquor stores (four locations in St. Louis)
3. Fire Tuck – liquor stores chain operating in Illinois and Missouri with one location in St. Louis

## **4.4 Promotion & Communication channels**

The promotional program can be described as “planned, coordinated, and integrated series of efforts built around a single major theme or idea designed to achieve predetermined communication objectives”. (Albaum 2008, 578.)


In other words, promotion is a set of activities that aim to inform the customer about the product or service offered by the company as well as to persuade them to make a buying decision. Every firm used communication channels to one degree or another in both B2B (Business-to-Business) and B2C (Business-to-Consumer) communications. (Kotler 2012 & Shimp 2010.)

Teerenpeli will use a multi-channel promotion program oriented towards both B2B and B2C in the first steps of its operations in the US market. The promotional objectives can be defined as:

1. Reaching target consumers, educating them about the product and starting to create an image in the new market of operations;
2. Establishing relationships with customers;
3. Increasing the brand awareness and visibility.

The Tools of Marketing Communications for Teerenpeli are introduced in Table 2 (Shimp 2010). The channels from marketing communication elements are selected and applied to Teerenpeli's case.

Table 2. The Tools of Marketing Communications for Teerenpeli's distillery.

Marketing communication elements	Teerenpeli's use
Media Advertising and Publicity <ul style="list-style-type: none"> <li>- Press media</li> <li>- Social media</li> </ul>	Advertisements or articles in local magazines and newspapers as well as big magazines from the industry distributed all over the country.  Social media visibility, including the official website in English, Facebook and Tweeter.
Personal selling	Face-to-Face selling, negotiating with potential retail outlets.
Store Signage and Point-of-Purchase Advertising <ul style="list-style-type: none"> <li>- In-store shelf signs</li> <li>- In-store events</li> <li>- Individual approach selling</li> </ul> 	Signs of the new premium whiskey from Finland will be placed on the shelf in order to attract attention in liquor stores.  Organization of in-store tasting events in order to introduce the product to interested audience.  Individual approach to each customer, when potential buyer is not familiar with the new product.
Business promotions	Participation in whiskey events such as festivals, tasting competitions, etc.

## **Media Advertising**

There are two main channels in media advertising that can be used by Teerenpeli: Press media, such as local and national magazines that are specialized in the industry of operations as well as social media. The choice was made based on cost-efficiency issues as well as an interview with the experts from the industry. Media advertising is a part of both B2B and B2C marketing.

### **Press media**

Press media is a great way to be introduced to the market. In many cases magazines and journals get interested in the new product in the market and are willing to tell others about it, giving the company free advertising.

There are a number of local magazines that are distributed in different parts of St. Louis. For example, FEAST magazine is published monthly and tells citizens about the local food culture: its news, trends and changes. For Teerenpeli this will be an efficient way to tell locals about its product that is new and very unique on the market.

The other great channel is magazines and journals that are distributed all over the country. For example, Whisky Advocate magazine is America's leading whiskey magazine specialized in the whiskey industry, giving the overview of the industry, its trends, and news. "It's a premier source for whisky information, education and entertainment for whisky enthusiasts". The magazine collect interesting stories about distilleries and their whiskies and tell other whiskey drinkers about them. (Whisky Advocate 2015.) The magazine is very popular in the whiskey industry and is considered to be a reliable source of information. For Teerenpeli, it will be a great marketing move if Whiskey Advocate will get interested in publishing an article about premium whiskey from Finland. (Stauder 2015.)

There are a number of other magazines that specialize in the alcohol and spirits industries, for example, Tasting Panel magazine, Market Watch magazine and the SOMM journal. Single interested consumers can subscribe to these magazines and journals; however, the big advantage is that they are also distributed among outlets connected to the business for free.

Being published on listed magazines and journals will increase the visibility of the brand and awareness of the product. Also, it can increase sales through online stores, as delivery to a number of states from chosen retail outlets is a possibility. If magazines will be interested in publishing articles about the only one Finnish whiskey in the United States market, this channel will be low-cost way to introduce the product to the market and promote it.

### **Social Media**

Social media is an effective and cost-efficient communication channel for Teerenpeli. “Social media will be one of the most important aspects in marketing campaign for Teerenpeli” (Stauder 2015).

One part of online communications with customers is the company’s website. For the US market the website should be low-context, direct, informative, logical as well as success-oriented. (Mooij 2014, 221.)

Currently, the English version of Teerenpeli’s website is cannot be presented to customers from the United States because of two main reasons: to begin with, the information about the company, distillery, and the product itself is very limited and does not answer the expectations of the customers. Secondly, there are a number of grammar and spelling mistakes in the text, what gives a negative impression of the company. In order to make a website an effective communication channel with customers, the company should make a number of changes. (Goodwin 2015.)

In order to be successful in the US market, the English version of the website must be redesigned. It should mainly focus on American whiskey drinkers. It is important to tell about the product itself as well as its story and other benefits that come with drinking Finnish whiskeys. (Stauder 2015.) Also, the website must be user-friendly. It should have clear navigation, contact information, news and much visualization. For example, it is a good idea to add pictures of the distilling process and distillery itself and videos with interviews. (Goodwin 2015.)

In addition to the website, such social media channels as Facebook and Twitter are highly recommended for the US market. It will help the company get feedback from the consumers as well as increase the visibility of the product and brand. However,

such channels can be utilized only if the company has the resources to take care of them; otherwise there is no point in using these platforms. (Kotorov 2015.)

### **Personal selling**

Personal selling happens when a representative of the company's sales force (e.g. salespeople, sales representatives, agents, district managers, etc.) introduce the product/service to the potential client for the purpose of making sales as well as building customer relationships. (Kotler 2012, 464.)

For Teerenpeli, personal selling is an important marketing communication element in B2B sales. It will be handled by the export merchant, which will contact potential retail outlets and negotiate the conditions of the deal. Personal selling will include organizing a meeting with sales managers of liquor stores as well as other potential retail outlets.

### **Store Signage and Point-of-Purchase Advertising**

The visibility of the product in the new market of operations is a significant issue. In order to attract customers to the Finnish single malt whiskey, such means as in-store shelf signs can be applied in the liquor store.

It is important for American consumers to taste the product before making a final buying decision. That is why the organization of the tasting events inside the store, which is allowed by Missouri legislation, can be an effective promotion for the product: it will attract the attention of the potential customers, give the company an opportunity to get a feedback and establish personal relationships with the customer. In addition, these events help to educate consumers about the product and are beneficial for the liquor stores, as more people come to enjoy a free event and make purchases. (Naski 2015.)

Educating consumers about Finnish whiskey is an effective marketing communication element that can be used by Teerenpeli. Visitors in the bars as well as buyers in the stores are more and more interested about the story "behind" the whiskey and the favor the ones that excite them. "Consumers have become increasingly concerned with the ingredients, the process and aging" (Kral 2015). In other words, Teerenpeli wants to distribute their product through retail outlets



where the staff will spend time with an interested customer and educate him or her about the single malt from Finland.

**Business promotions**

To increase the visibility and reach new customers, Teerenpeli can take parts in such events as whiskey festivals, tasting competitions, etc. In St. Louis, one of the most popular whiskey festivals is “Whiskey in the Winter”. Participation in such an event will result in the visibility of the company as well as give an opportunity to have a look at competitors and establish good relationships with consumers.

## 5 CONCLUSIONS AND RECOMMENDATIONS

The premium whiskey market is growing in the United States of America as well as in the State of Missouri. The shift in trends towards the increase in demand for non-traditional premium whiskey producers gives Finnish single malt producer Teerenpeli a potential for success in the new target market.

There are already a number of producers coming from such countries as Japan, India, France, Belgium and England that offer similar to Teerenpeli product. This study suggests an entry strategy for Finnish single malt that will differentiate it from competitors.

Branding is a key issue for the company. Teerenpeli will be positioned as a premium special whiskey from Finland made from high quality local ingredients combined with traditional distilling methods that are reflected in the unique exotic flavor. The suggested price of \$100-110 for a 750 ml bottle is considered to be competitive in the market of premium special whiskeys.

The packaging of the product is an important part of the branding and it one of its functions is to communicate with consumers. The design is a delicate issue that should be adopted for the United States market, using the strong sides of the current strategy.

Communication is another essential matter for business operations in the new market. Personal communication and creating a positive attitude towards the brand and the product is crucial. The choice of the distribution channels is to be based on specialization in special premium liquor sales as well as premium customer service. In-store promotions and participation in whiskey events as well as qualified sale personnel will be a successful way to create interest and trust among target consumers. In addition to that, updated website targeted on the American market will be a crucial communication and educational channel for the market.

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**Interviews**

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Questions for interviews

**Questions for interviews with whiskey experts:**

1. What do you consider to be a special premium whiskey?
2. What new and emerging trends are there in the American whiskey drinking culture?
3. How big is the demand for special premium whiskeys (Coming from non-tradition producing countries) in the United States/Missouri/ city of St.Louis?
4. Is there a demand for such a product as Finnish single malt whiskey in the market (States/Missouri/ city of St.Louis)?
5. Which qualities of the premium whiskey are valued by consumers?
6. How important is it to have tasting events?
7. How do retail outlets choose alcohol for sale?
8. How does the whiskey drinking culture in America look like?
9. How does the whiskey drinking culture in America look like? Who are potential consumers for such kind of a product?

**Questions for interviews with business (marketing) consultants**

1. What is a mark-up for special premium whiskey?
2. What is important to know about the special whiskey for the American consumer?
3. What is important to place on the website targeted on American whiskey drinkers?
4. What are the most effective communication channels for such a product as special premium whiskey in the United States/ Missouri/ city of St. Louis?